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September 27, 1995

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Mr. William F. Caton
Acting Secretary
Federal Communications Commission
1919 M Street, N.W., Room 222
Washington, D.C. 20554

Re: CC Docket No. 95-115

Dear Mr. Caton:

Transmitted herewith, on behalf of TDS Telecommunications Corp., are an original and nine (9) copies of its comments in the above-referenced proceeding.

In the event of any questions concerning this matter, please communicate with this office.

Very truly yours,

Margot Smiley Humphrey

Margot Smiley Humphrey

Enclosures

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List A B C D E

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

In the Matter of	)	
	)	
Amendment of the Commission's Rules and Policies to Increase Subscribership and Usage of the Public Switched Network	)	CC Docket No. 95-115

COMMENTS OF TDS TELECOM

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Its Attorneys

September 27, 1995

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OFFICE OF THE SECRETARY

Before the
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In the Matter of	)	
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Amendment of the Commission's Rules and Policies to Increase Subscribership and Usage of the Public Switched Network	))))	CC Docket No. 95-115

COMMENTS OF TDS TELECOM

TDS Telecommunications Corp. (TDS Telecom), by its attorneys, submits these comments in the above-captioned proceeding[1] on behalf of its 100 local exchange carriers (LECs). The TDS Telecom LECs have long been committed, with the help of federal and state high cost support mechanisms, to providing high quality telecommunications services with an evolving infrastructure in their primarily rural service areas in 29 states.

Summary

The Commission's interest in increasing subscribership is laudable, but local subscription is primarily a state issue. The Commission should not undermine current high cost support in its simultaneous universal service proceeding, but does not need to adopt the nationwide local service requirements proposed here.

Exploration of ways to help customers control excess toll use that jeopardizes their ability to subscribe is worthwhile, but technical feasibility, cost and operational obstacles are

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[1]Amendment of the Commission's Rules and Policies to Increase Subscribership and Usage of the Public Switched Network, CC Docket No. 95-115, Notice of Proposed Rulemaking (released July 20, 1995)(NPRM).

considerable, especially for dollar, minute of use or time of day limits on toll use.

If subscribership measures are required, LECs should not bear the financial or competitive burdens. Customer or universal service cost recovery will be essential. States and LECs are also exploring options such as voice mailboxes, centralized public telephone locations and prepaid calling cards.

The Commission should refrain from adopting requirements. It should monitor subscribership, encourage state efforts and provide adequate interstate cost recovery mechanisms for high cost areas and low-income subscribers.

Introduction

TDS Telecom endorses the Commission's goal of making service available at affordable rates to all Americans. It is an established economic tenet that universal service benefits all network participants because each new connection enhances the value of the network to all customers.[2] The NPRM concerns both non-subscribers in areas where service is available and subscribers whose location has, thus far, prevented reasonably-priced service from becoming available.[3] However, the question of how best to

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[2]J. Panzar and S. Wildman, Competition in the Local Exchange: Appropriate Policies to Maintain Universal Service in Rural Areas, pp. 8-11 (1993).

[3]Important federal programs that help make service available to remote or hard-to-serve areas are the Rural Utilities Service (RUS, formerly REA) and Rural Telephone Bank (RTB) loan programs. The programs require every borrower to serve "the widest practicable number of rural users," i.e. throughout its rural service area. Rural LECs also rely heavily on implicit and explicit mechanisms that recover above-average costs via interstate rates.

enable and encourage more individuals and households that do not now subscribe to local service and participate in the nationwide public switched network is not easy to answer. It is primarily a local service issue within states' jurisdiction and expertise.

A Broader Proceeding Is Necessary to Resolve These Issues

TDS Telecom believes that universal subscription issues would benefit from exploration in a more comprehensive universal service proceeding. Small and rural telephone companies -- such as the TDS Telecom LECs -- are concerned, for example, that the NPRM here looks at extending universal service programs and increasing LEC obligations in this regard. However, the NPRM on universal service issues[4] -- which is even more important for maintaining an affordably priced, evolving nationwide public switched network in high cost service areas like the TDS Telecom LECs' areas -- is examining proposals that could raise rural rates and discourage interstate high cost recovery levels.

Moreover, the NPRM apparently equates universal service with the ability solely to connect to rudimentary telephone service, possibly coupled with discounted access to expensive, sophisticated blocking for certain services or calls. At the same time,

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See, 7 U.S.C. § 922. While BETRS service represents an effort to help LECs to serve extremely remote and high cost areas, the expense and uncertainty connected with the spectrum made available have limited the utility of that effort to increase subscribership.

[4]Amendment of Part 36 of the Commission's Rules and Establishment of a Joint Board, CC Docket No. 80-286, FCC 95-282 (released July 13, 1995).

the National Telecommunications and Information Administration (NTIA) has correctly recognized that mere connection to voice telephone service is no longer a satisfactory test for universal service.[5] Too much is changing and too little is known to adopt requirements here. The Commission should continue to monitor and report on subscribership, but should not try to mandate solutions piecemeal and prematurely.

State Experimentation Should Continue
Without Federal Requirements

As the NPRM acknowledges (¶ 11), some states have adopted measures related to subscribership. TDS Telecom understands that numerous LEC and state programs and experiments are probing ways to increase minority and low-income subscribership. Since the causes of subscription shortfalls are still not clear, letting state and large LEC initiatives provide information on what measures are helpful would use LEC industry and Commission resources wisely.

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[5]United States Department of Commerce, NTIA, Falling Through the Net: A Survey of the "Have Nots" in Rural and Urban America, p. 1 (July 1995) (looking beyond voice service to "ability to access, accumulate and assimilate information").

Protecting Customers Unable to Control Their Interstate Toll Usage Requires Further Study

TDS Telecom agrees that there is a significant problem for customers who are unsuccessful in limiting their toll calls to an affordable level. The Commission suggests various ways to deal with the problem of non-payment of toll bills. One of these, voluntary toll restrictions, may be an approach that could work under a state-developed program. However, states should be left to study the approach in light of circumstances in their local exchange service areas.

One major problem is how to deal separately with state and interstate blocking. A number of TDS LECs now offer toll blocking, but only for all toll calling, regardless of its jurisdictional nature. If the Commission mandates blocking only for interstate toll, avoiding interference with state jurisdiction, a massive and expensive translation program would be necessary, severely burdening both switches and personnel. Moreover, if intrastate toll calling is not blocked, the customer's inability to restrict intrastate toll calling could still drive bills too high.[6]

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[6] It is possible that switch vendors could develop and sell an interstate toll blocking capability. The feasibility, cost and need for additional translations are unknown. Again, excessive intrastate toll calling would remain a concern.

Dollar or Minute of Use Toll Ceilings Do Not Offer a Feasible Toll Control Option for LECs Like the TDS Telecom LECs

Even more costs and challenges would arise from proposals to limit monthly toll bills or usage minutes. The need for prompt and frequent information on the current status of cumulative charges or usage on restricted lines would require TDS Telecom to update all its LECs' switches to provide "real-time" billing. In addition, the billing systems would have to be updated to accommodate "real-time" billing. Both would require massive changes to the way billing is done today.

Waiting until the billing system processed the information would not allow timely blocking when the customer reached the maximum level of unblocked minutes or dollars. Calling plans, which typically process accumulated usage and discounts once each month, would be even more of an obstacle to tracking and limiting cumulative charges or usage. For many plans, the charges are not known or knowable until the full month usage discount can be determined. The charges that could be calculated earlier in the billing period would only be pre-discount amounts, so that the dollar limit would appear to have been reached too early. Tracking usage time would also require extremely frequent reporting and simultaneous rating of calls. Even daily monitoring would be insufficient in many cases, given the potential for running up huge bills in a short time, for example, by calling "900" numbers.

TDS Telecom LECs often have no information about a customer's interexchange optional calling plan arrangements. In many cases, interexchange carriers are doing their own rating and recording for their messages. Given the direction of this trend and other residential billing changes, the TDS LECs and other independent LECs may be unable to detect a customer's toll plan participation or measure the cumulative calling for such plan.

If both interstate and intrastate calling were restricted by usage or charge ceilings, hour and minute limits would have to track both interstate and intrastate calling and calculate the total hours or minutes frequently for each. Even then, 10XXX calls, which use interexchange carriers other than the presubscribed carrier for interstate or intrastate calling, or alternative operator service calls, which typically provide infrequent reports, could elude the time or hour limit calculations. Moreover, whoever handles the blocking would need to figure out how to allow unblocking and how to let customers become aware of where they stand in minutes or dollar calling as the period progresses.[7]

The NPRM also suggests time of day restrictions of toll calls. TDS Telecom believes that the deployment of Advanced Intelligent Network (AIN) would be necessary. However, TDS

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[7]The NPRM suggests that if toll use were blocked completely or could be restricted cost-effectively (which is not the case now), it might be appropriate to reduce the security deposit for those who used toll blocking. Adequate experience with the results of toll blocking would be necessary to evaluate this proposal.

Telecom has not yet found the high cost of AIN justified, given current costs and demand, and cannot predict when available revenues from services will make this upgrade economic in the future.

The Commission Should Encourage State and LEC Experimentation, But Refrain from Mandating Any "Solution"

TDS Telecom agrees that making available more tools for customer control of long distance calling and the resulting bills -- such as prepaid long distance cards, voice mailboxes or facilities usable by the public at centralized points -- may be workable options that states should explore to help customers avoid excessive toll calling.

Prepaid cards allow self-set limits in toll expenditures by the purchasing customer. With a voice mailbox, a customer can receive toll calls, and with centrally located public telephone facilities, a convenient place to make and pay for calls will be available. For all three of these arrangements, the customer does not have to become a subscriber to telephone service.

Prepaid long distance options are already developing without a need for Commission intervention. Again, state initiatives in these areas may obviate the need for Commission action. For example, the Public Service Commission of Wisconsin is considering proposed rules under its new telecommunications policy legislation. One proposal is to provide free voice mailboxes to homeless shelters. (See, proposed § 160.063). Evaluation of what various states accomplish should precede any effort to arrive at nationwide policies.

The Commission proposes possible restrictions on local disconnection for non-payment of toll charges. The Commission previously left this decision to the states. That deference remains appropriate. Both intrastate toll and local service are, of necessity, affected by disconnection for any part of the telephone bill, including interstate toll charges. Moreover, if toll blocking is not available for future billing periods, the toll overuse problem will probably recur. States are trying disconnection limits without federal action. For example, the North Dakota Public Service Commission (NDPSC), in Comments sent September 6, 1995 (p. 1), urges the Commission to leave measures to increase subscribership to state jurisdiction. NDPSC reports favorably on its state-wide rule against disconnections for non-payment of toll bills.

Prohibiting disconnection for non-payment of toll bills could create perverse incentives towards non-payment or delayed payment by subscribers that are easily able to pay. Providers need some means of obtaining payment, just as many states give automobile repair and others a lien in the property repaired until the repair charges are paid. Here, too, the closer involvement and deeper knowledge of state and local authorities argue against a federal anti-disconnection policy.

Further Understanding of Causes for Non-Subscribership and the Costs of Potential Remedies Is Necessary

The Commission should also refrain from preemptive requirements to increase subscribership because the causes of non-subscription and disconnection are inadequately understood. Information on causes of disconnection must come partly from the varied state or LEC programs now being tried as a means to maintain or restore subscribership. The Commission should wait to see what works, or works best, and at what cost. Regulatory restraint now can prevent massive nationwide expenses to implement a federal plan that may not lead to significant impacts on network connection statistics.

Cost Recovery Issues Must Be Resolved

It is not fair to saddle LECs with elaborate and costly toll control programs to act as a safety net for customers that do not control their long distance calling. Even when toll blocking is offered, customers are often not willing to have toll calls blocked. If toll blocking is required, there must be a resolution of how the costs will be recovered. Either (a) customers must pay for blocking or (b) universal service compensation will be necessary. The LEC and its bill-paying customers should not be forced to foot the bill for a public policy mandate. Spread over a small rural LEC's subscribers, the cost could raise local rates appreciably.

Subscribership Measures Should Not Burden LECs in Competing

More information is also necessary to weigh the costs and burdens of any plan. If only LECs are subjected to subscribership-related mandates, the consequent unfair competitive disadvantage will handicap LECs. Prepaid calling cards, left to voluntary development as they are now, appear to be a feasible toll control tool. From all indications, their availability will be driven by marketplace forces without Commission or state mandates. There may also be other means LECs could choose to pursue, such as personal access codes.

It may be appropriate to add to Linkup or Lifeline support if further investigation indicates more assistance will be effective in adding and keeping low-income or other subscribers. Linking more assistance or deposit discounts to voluntary toll restrictions could extend subscribership. The cost should be recovered through universal service funding, not left for each LEC to recover from higher charges to its other customers and competitive disadvantage to itself.

Immediate prescriptive action would be premature. There is plainly not enough information to conclude that the technical feasibility, cost and desirability to customers warrant changing the nationwide subscription measures currently in effect.

Conclusion

The Commission should continue in its current role of monitoring subscribership levels, looking to the states for continued efforts to increase subscribership, investigating the best means to achieve optimal subscribership and providing adequate interstate cost recovery for existing high cost and low-income subscriber programs. The Commission should refrain from hasty and preemptive mandates that will interfere with state authority, can adversely affect service in high cost areas and may not significantly improve overall subscription levels.

Respectfully submitted,

TDS TELECOMMUNICATIONS CORP.

Margot Smiley Humphrey

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September 27, 1995

CERTIFICATE OF SERVICE

I, Joann Leath, a secretary in the law firm of Koteen & Naftalin, hereby certify that on this 27th day of September, 1995, a true and correct copy of foregoing "TDS Telecom Comments" was served on the following:

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September 27, 1995